BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268–0001

PERIODIC REPORTING (PROPOSAL SEVEN)	Docket No. RM2019-12

RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-3 OF CHAIRMAN'S INFORMATION REQUEST NO. 3
(December 3, 2019)

The United States Postal Service hereby provides its response to the above

listed questions of Chairman's Information Request No. 3, issued November 25, 2019.

The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 3**

1.   In its response to CHIR No. 2, the Postal Service states that "when looking at lower [Cost Ascertainment Groups (CAGs)], especially CAG group H, the [Time and Attendance Collection System (TACS)] hours and accounting dollars are not clearly aligned as they are in larger CAGs."[1]

   a.   Please explain why the TACS hours and accounting dollars of smaller CAGS "are not clearly aligned as they are in larger CAGs." *Id.*

   b.   Please specify which office CAG groups are not aligned with accounting dollars.

RESPONSE:

a.   One reason for the lack of alignment is a larger proportion of small offices use paper timecards to record workhours, rather than using electronic badge readers. It is likely that a greater proportion of workhours and workhour adjustments and reversals for loans, transfers and training in these offices are not recorded in the detailed employee-specific data tables used to generate the workhour summaries. However, costs associated with these workhours are eventually transferred to the correct finance number and account number, creating the misalignment. The problem may be exacerbated in the smallest offices since many of these are Remotely Managed Post Offices (RMPOs) that have a CAG that differs from their Administrative Post Office (APO). Late adjustments between APOs and their RMPOs may shift costs to a CAG that differs from the CAG where workhours were originally recorded.

   In addition, in the initial proposal and in the response to question 1.c in CHIR

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[1] Responses of the United States Postal Service to Questions 1-6 of Chairman's Information Request No. 2, October 18, 2019, question 1.b.i. (Response to CHIR No. 2).

No. 2, workhours where a supervisor acted as a postmaster and clocked to the postmaster roster designation (a craft not estimated by IOCS) were incorrectly moved back into the supervisor craft group. Please see the response to question 3 for revisions.

b.   The degree of misalignment of TACS workhours with accounting dollars appears to be greatest in the CAG H group, which includes CAGs J, K and L. There may be some misalignment in CAG G, and possibly also in larger CAGs, although to a lesser extent.

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2. The Postal Service states that, under the current methodology, "total costs for supervisors are determined from accounting systems, the share of that total consisting of the costs for supervisors at customer service offices on Sundays and holidays is determined by sampling from the [In-Office Cost System (IOCS)." Petition, Proposal 7 at 1. The Postal Service states that the costs for higher level supervisors (IOCS activity code "7631") are automatically coded in the IOCS. Response to CHIR No. 2, question 5.c. Both the current and proposed methodologies' IOCS SAS data sets contain records for higher level supervisors costs, coded to a Sunday.[2]

   a. Please explain how higher level supervisors costs are identified in the IOCS. If this differs between the current and proposed methodologies, please explain how.

   b. Please explain how the higher level supervisors costs are derived for Sundays/holidays and other days in the IOCS. If this differs between the current and proposed methodologies, please explain how.

   c. Please explain the reason(s) why the higher level supervisors costs identified as "Sunday" in the IOCS variable "F18" are not included in the Sunday/holidays costs (IOCS activity code "7720") under the proposed methodology.[3]

RESPONSE:

a. Higher level supervisors are identified by their occupation codes, which are

provided in data field F19, "Supervisor Occupation Codes." After the IOCS

sample of employees is drawn, the subset of supervisors with certain occupation

codes in CAGs A, B and C are removed from the list for manual sampling by data

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[2] IOCS records with activity code in variable F262="7631" and variable F18='2'. *See* Docket No. ACR2018, Library Reference USPS-FY18-37, December 28, 2018, folder "USPS-FY18-37.IOCS.zip," folder "USPS-FY18-37," folder "Data," SAS file "prcpub18.sas;" Library Reference USPS-RM2019-12/1, August 23, 2019, folder "usps_rm2019-12_1.zip, folder "Prop.7.Public.Fldr.1.Files.zip," folder "Filing_Final," folder "Data," SAS file PRCPub18.cw.sas." A data dictionary describing the IOCS variables is in Docket No. ACR2018, Library Reference USPS-FY18-37, folder "USPS-FY18-37.IOCS.zip," Excel file "IOCSDataDictionaryFY18.xlsx."

[3] The Postal Service states that the share of costs corresponding to supervisors at delivery units on Sundays and holidays will be represented by a new IOCS activity code 7720. Petition, Proposal Seven at 2.

collectors. These identified supervisors are then assigned activity codes using historic percentages by quarter. For example, in the first quarter, 42 percent are randomly assigned to "9206", representing the proportion of time supervisors are not scheduled, or are on leave or at lunch, and therefore incur no labor costs. The remaining 58 percent are assigned to "7631" and receive a proportionate share of supervisor costs. In CAGs D through L, data collectors conduct readings on these employees similar to other supervisors.[4]

In the proposed methodology, there would be no difference in the identification of higher-level supervisors. However, similar to the sampling changes for city carriers and for other function 4 supervisors, auto-coded higher-level supervisors would be randomly assigned a 'sample' day that excluded Sunday.

b. The higher level supervisor costs are derived for Sundays/holidays and other days using the same weighting as actual supervisor readings conducted by data collectors in IOCS. For example, the inverse sampling probability is used to weight the reading. This portion of the current and proposed methodologies is the same. However, after the initial cost is assigned to the reading, the proposed methodology moves these Sunday/holiday readings to the weekday bucket and

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[4] In ChIR No. 2, question 5.c, the Commission asked about IOCS records that did not include data in certain variables. To clarify the response, the supervisor records in question were all automatically coded to "7631" due to their occupation code; however only supervisors in CAGs A, B and C are coded automatically as described.

adjusts them in the same proportion as the other weekday readings. Although the sample generation programs assign higher level supervisor readings to Sundays in the same proportion as other sampled employees, it is not typical for higher level supervisors to work on Sundays/holidays at function 4 offices. Because data collectors cannot conduct these auto-coded readings, there is no opportunity for them to be recorded as non-scheduled as would occur with a manually conducted reading. Therefore, these costs should be allocated to the weekday control total.

c.   The sampling day of week for these higher-level supervisor readings is currently randomly assigned to Sundays in the same proportion as all other employee readings. However, as described in the response to part b. of this question, higher level supervisors do not typically work on Sundays/holidays in function 4 offices. Consequently, they were moved to the weekday bucket even though variable "F18" identified them as "Sunday."

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3.   Please refer to the workbook containing the IOCS adjustment factors calculated at the CAG/finance group level provided with Response to CHIR No. 2, question 1.c.[5] Please confirm that the workhours used to wage-adjust costs align with the IOCS-adjusted CAG groups.[6] If not confirmed, please explain.

RESPONSE:

Not confirmed. Please see the response to question 1 of this Information Request.

Revised adjustment factors are provided in the workbook attached to this response

electronically, "Prop7.ChIR3Resp.Q3.Attach.xlsx," which constitutes a revised version of

"Prop.7.ChIR2Resp.Q1c.xlsx," filed on October 18, 2019. The revised workbook

corrects for the problem arising from the treatment of supervisors clocking as

postmasters. Changes to the adjustment factors are minimal, with the largest

percentage change in value less than 0.3 percent. However, this correction does not

address any of the other reasons for possible misalignments between workhours and

dollars by CAG group discussed in response to question 1 of this Information Request.

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[5] *See* Excel file "Prop7.ChIR2Resp.Q1c.xlsx."

[6] *See* Docket No. RM2018-5, Responses of the United States Postal Service to Questions 1-13, 15-17 of Chairman's Information Request No. 4, September 5, 2018, questions 2.a., 9.